



## **Governor's Task Force on the Study of Kentucky's Alcoholic Beverage Control Laws**

**Licensing Committee Meeting – November 13, 2012 – 1:00 p.m.**

Committee Chair – Stephanie Stumbo, Kentucky ABC Malt Beverage Administrator

### **Minutes**

A meeting of the Governor's Task Force Licensing Committee was held November 13, 2012 at 1:00 p.m. at the offices of the Department for Local Government, 1024 Capital Center Dr., Ste. 340, Frankfort, Kentucky.

**Opening Remarks:** Committee Chair Stephanie Stumbo called the meeting to order and thanked all those who attended one or more of the recent Task Force community forums. She stated each forum was very informative. Throughout each forum, there were licensing issues that were raised. The consistent sentiment was that we need to reduce or simplify licensing. The last forum in Louisville was quite a bit of detail and a great deal of insight into one community's public sentiment on a variety of issues. At the Louisville forum, we heard some more specific requests that had to do with licensing. Those requests were not ignored. The public forum items were heard, recorded and will be addressed at the full Task Force level, but will not be added to the body of work at the committee level.

### **Roll Call:**

**Committee Members Present:** – Jitter Allen, Larry Bond, Mayor Tom Bozarth, Representative Clark, Commissioner Tony Dehner, Jennifer Doering, Eric Gregory, Senator Jimmy Higdon, Representative Dennis Keene, Lowell Land, Roger Leasor, Dan Meyer, Gene McLean (representing John Harris), Administrator Danny Reed, Stacy Roof (representing Gay Dwyer), Administrator Stephanie Stumbo, Secretary Robert Vance, Adam Watson and Neil Wellinhurst.

**Committee Members Absent:** – Gay Dwyer (represented by Stacy Roof), John Harris (represented by Gene McLean).

**Others Present:** Bryan Allman, Bryce Amburgey, Dianne Andrews, Jason Baird, Dick Brown, Maurice Brown, LaTasha Buckner, Leo Camp, J.D. Chaney, John Clay, John Cooper, Sam Crain, Renee Craddock, Sean Cutter, Virginia Davis, Angie Donahue, Steve Humphress, Scott

Jones, Stacy Kula, Karen Lentz, Tara McGuire, Tim McGurk, Mike Peters, Sonya Semones, David Smith, Phil St. John and Janet Williams.

**Approval of Minutes:** The minutes from the Licensing Committee's October 23, 2012 meeting were sent to members via email for review prior to today's meeting. Some grammatical edits have been identified and corrected. There being no further edits or revisions requested, Chair Stumbo called for a motion to approve the minutes as revised. A motion was made and carried and the minutes were approved.

### **General Overview of Meeting Objectives:**

**Recap:** Chair Stumbo Stated at the October 23, 2012 meeting, the committee finalized the work on the licensing scheme and went through all of the suggested "bucket list" items to determine from those items listed which ones the committee would be moving forward on as recommendations and which items were being deleted or dropped.

**Statistical Data:** Stumbo stated she had a request from Gay Dwyer to provide the committee with updated statistical data. Committee members were provided a document showing updated data that included restaurant license statistics with beer as requested by Gay. Stumbo stated the items in red on this document are the revisions to the document which show of the restaurant license types, of those how many get beer. The columns indicating an asterisk show that when it says 100% of the limited restaurant 100's and limited restaurant 50's – those are already existing combo licenses where beer is already included with liquor/wine, not separate like the other licenses. Steve Humphress said we already have other license types that are combos, those are two examples where they are already a "combo" license and include beer, liquor and wine. That is why 100% of those two types indicated on the sheet reflect they all have beer. Stumbo stated Gay requested this information and it was provided to her in advance electronically.

**Materials Distributed:** Other documents provided to the committee as part of the meeting packet include: 1) a document containing all actions from the last meeting that includes the decisions the committee made in regards to the licensing scheme and all the bucket list items the committee mutually agreed to move forward as recommendations; 2) a duplicate of a document that was provided in the binders at the first meeting that shows all the state's license types, how many issued in FY 11 and FY12 and what revenue were generated by those respective license types;

Rep. Clark- You did not give us the totals?

Stumbo-I have those and I will provide those to you today, shortly.

3) a quick reference of all existing license costs for full year, half year, and renewal fees; 4) a series of 4 documents resembling spreadsheets that summarize some of the Committee staff's homework items (as requested by Rep. Clark). One spreadsheet shows averages on the effected license types proposed in the new license scheme and what at mid-point or higher those averages might be; a second one entitled "example" give another scenario of how to revise the licensing scheme fees and attempt to keep the actual costs down and be more equitable across all license types; the next document, is a list of the licenses that remained unchanged and the fees remain unchanged; the final of the four is a document was created in

case the committee changes it's decision regarding attempting to treat all class cities the same. This document shows the license type(s) fees broken back out by class city in case the Committee chooses to leave the license types at different cost by class, this document shows a different scenario with those license types still by class but reflecting the bundling of licenses as determined by the Committee (for example-sampling was bundled with some of those license types.) Stumbo requested that committee members hold this series of four documents until later in today's agenda at which time she will review and explain how all the numbers were generated and where they came from so committee members could re-create the work. She advised the average spreadsheet was derived by a variety of accounting approaches as required by use of the available data. She states she would explain. Stumbo stated that she does not expect that the Committee would leave the meeting today with what the new fee structure and schedule or know what costs will be. Stumbo clearly stated that none of these four spreadsheets are recommendations, but for information only to be used for strategy as the Committee looks at what the licensing scheme might be. The final document 5) also a duplicate document previously provided and it will not be discussed today but Stumbo stated she thought members might want to look at the data again– it is the NABCA 2011 Survey Report showing a comparison of similar licenses across all the states and what other states charge for their licenses.

#### **Review of Materials Distributed:**

- **Document #1 – Recommendations Packet** – includes all items that already either passed unanimously or passed with some objection or passed pending further discussion. This document includes items Rep. Clark and others requested additional information on and one item that needs to be revisited on behalf of Dan Meyer regarding a recommendation he needed additional time to review. Stumbo called for Steve Humphress to run through the recommendations document.
  - Steve Humphress: Items Committee has already approved (*first batch of proposals are ones from bucket list items to move forward on, actual recommendations, specific statutory changes, and how to accomplish what the committee wants to do*)
    - Proposal #1 - Allowing two year license for producers, wholesalers, and distributors
      - Since there may be potential of changes in a business structure, this proposal includes making it optional for them to have a one year or two year license
    - Proposal #2 – Uniform fees for same license types
      - Committee previously discussed differences between liquor drink, liquor package, limited restaurant – they all have different fees based on the class city in the county or wet city
        - This proposal will merge and create one license fee
        - Fee structure will be discussed at a later

- Proposal #3 – Temporary license abuse
  - Previous discussed problems with a private individual wanting to do a for-profit events not in conjunction with true civic events and requests a charity to sponsor the event and the charity really is not sponsoring, organizing or responsible for the event. The charity who is the eligible entity to receive a temporary license does not receive all the proceeds or profits
  - Previous suggestion was that the Department make a recommendation of how to resolve this problem and present it to the committee today
    - 1<sup>st</sup> recommendation is to amend 804 KAR 4:250 eliminating the ability of a private individual to get a temporary license for a charitable sponsored event while preserving the ability to all eligible charities to continue to do their events
      - This is the most abused one.
      - The individual or for-profit promoter etc. would still be able to obtain a temporary license for a civic or community event
      - The charity would still be able to get the temporary license under their own name under other provisions of this language
    - 2<sup>nd</sup> recommendation is to create a regulation which will require proof from a government jurisdiction or official showing that they are approving the event
      - Letter from the mayor or county judge executive, city or county government resolution, or something showing they approve of the event as being a community civic sponsored event

#### Discussion of 2<sup>nd</sup> recommendation under Proposal #3:

Larry Bond – The charitable piece is okay, but the civic piece, for example in Jefferson County, the government would have to set up some kind of procedure to approve events as to whether they are “civic” events or not. Perhaps it should be something the local ABC should do. An example is an application for a temporary license at a 5K run that has been called a civic event on the application. Is it currently up to the Administrators to determine whether the even is a civic event?

Humphress – Sometimes yes in other cases no because some city governments will have resolutions or provide copies of their minutes.

Sonya Semones – Louisville does not set resolutions. The city of Lexington and other smaller cities do send in resolutions stating the event is a civic event and that they are backing the event and allowing certain vendors to sell alcohol. Some smaller cities have the Mayor or local ABC Administrator put in writing that it is a civic event even though it is not a civic event and the city is not putting on the event. Louisville sends in what is called a Mayor’s Calendar, and they have told us that everything on that calendar is a civic event. Events such as a rodeo or a downtown concert, the city of Louisville does not take responsibility or putting the event on, so that’s when the State Administrator has to step in and decide if it is a civic event or not.

Stumbo – We try to go by the Mayor’s Calendar or what the locals advise us of and if an event is listed on there or they state it is, we count it as a civic event.

Bond – a civic event could be a civic event without having metro government involved. I understand the problem ones so it is about finding how to have “true” civic events verses public events to just have alcohol sales at them.

Rep. Clark – Can we define what a civic event is in the statute?

Humphress – We could, but we’ve generally used the regulatory definition that talks about or ties it to sponsorship and a city or county.....

Rep. Clark – Do other states define civic event?

Stumbo – We did look at that and they vary. Some states use a broad term saying “any event open to the general public or held in a public forum is a civic event.” Other states tie the event to a division of government where they acknowledge the event as civic even if they don’t sponsor the event. We could attempt to identify a true definition.

Rep. Clark – If we could somehow define civic event, it would take all the discretionary questions out of it from all the different counties or cities and for the State Administrators. If the event doesn’t fall under that umbrella, then it’s not considered a civic event. No license issued. We need control and oversight to make sure there is accountability.

JD Chaney – We may not want to totally remove the local discretion or an Administrators. Is it not sufficient enough endorsement to have the local official the Mayor or ABC Administrators sign off on a temporary application before it is approved by state Administrators?

Stumbo- local ABC already is required to sign off on the app but they often do so without clear regard to if the event or “sponsor” actually meets the statutory and regulatory requirements of this license type.

Bond – Not all cities and counties have local ABC Administrators.

Stumbo – An example is recently a Judge was pressured by an event sponsor to agree to this event and the judge was not even sure if it was a wet territory – in the end, they call us and kind of rubber stamping and letting it fall on my level. Civic needs to be defined in statute. Or local governments should do something like a letter or resolutions, or something saying they are agreeing they want the event in their community. The statute currently lists festivals, fairs, picnics and other events, but for example where would mixed martial arts (MMA) events not tied in as part of the local festival or fair fall? Just a MMA in a parking lot one weekend wanting alcohol sales and being put on by typically a for profit promoter?

JD – We would be okay with something written. Local governments wouldn’t want to do ordinances because that would be a problem especially in Louisville, having to enact an ordinance for each event.

Bond – You get that from everybody except Jefferson County?

Sonya – Jefferson County is the one I’ve talked to because they have a large majority of temporary licenses since they are the larger county. I have addressed this with them and they do not have anything that says it is a civic event put on by the city and they have nothing to back that claim up. Lexington, for example, sends a very detailed resolution for every event held in their downtown area stating exactly what the boundaries are, who can be the vendors, what the hours are and that it is a civic event other it might be just a letter.

Stumbo – We contacted KACo counsel to inquire awhile back when I was having difficulty on several of these and asked about their definition of a civic event and Rich said even if they don’t pass a resolution, the more rural cities or counties will often make a motion in their meetings regarding the events that would be reflected in their minutes. Since city counsel or a fiscal court

don't meet that often, like monthly, if there is an event they want to support but their next meeting is not for several weeks, in lieu of requiring minutes or a resolution, we proposed that we could just accept a letter from that governing body acknowledging that it is a civic event.

Bond – It seems like the easiest thing to do would be to define civic event in statute so Administrators and local officials would have something to go by other than waiting on local governments or a local ABC administrator to acknowledge or try to determine the event as being a civic event.

Rep. Clark – Defining civic event would also help take pressure off local officials that they get from folks that want to have certain events. The local officials would have some guide to go by as well.

Stumbo – We just need something.....A definition would also give create more consistency and uniformity from county to county in determining what a civic event is.

Rep. Clark – Made a motion that ABC General Counsel along with other interested parties like KLC and KACo come up with a definition of “civic event.”

Stumbo called for the vote, item passed no opposition.

Stumbo – This definition will be submitted as a recommendation to the Task Force at their next meeting on 12/13/12. But this committee will meet again prior to that date and will be able to review this matter at that time and make a final decision on it. KACo and KLC can assist us with the creation of this definition.

DECISION – PROPOSAL #3: A motion was made that a definition of “civic event” be created for the committee to review. The motion was seconded, all were in favor, and the motion carried.

- Proposal #4 – Bi-annual license renewal schedule
  - Previous discussions about the current renewal system being based on zip code, which ends up with some streets having 4 different renewal dates creating confusion by licensees, wholesalers, distributors, and a on going volume of work every month on state ABC staff
  - This item was approved at a previous meeting pending further review. Follow up with Dan Meyer was promised.

#### Discussion of Proposal #4:

Dan Meyer explained that his office maintains its own licensee database which contains information his client need that may not be on ABC's database. Having two very busy renewal times per year would make it tough on our office. In the past when renewals were done on a annual basis we there was an ABC employee transmitting the data to us and we would then enter the info into our own database.

Stumbo – This was a request from the in-house ABC licensing staff. Stumbo asked Sonya Semones Director who actually performs renewals along with her staff to explain the reasoning behind this proposal.

Sonya – “Right now every month is a rush for us from the 15<sup>th</sup> to the 30<sup>th</sup> we starting putting renewals for six weeks out - the 30<sup>th</sup> is busy, busy, busy.... If we could just stretch this out a little bit and have two or three months in between with out having to process renewals to file, to prepare for the next time, we would gain efficiencies and better handle the workload and get it

done. What I was proposing and specifically would like to see implemented is... for example ... two separate renewal dates for the majority of the year. We would still keep the batch renewals- the ones with two or more in July and August cause that does ease for them and for us - and keep December anybody that is out of state because those don't do tax checks they're not as cumbersome. So we could do revenue checks and renewals because we have to check with revenue and secretary of state twice a year – get it over with even though it's several more and then for a few months during the year we wouldn't be doing renewals every single day – we would have a lapse of a couple of months with no renewals to where we could do other licensing work equally important, accomplished and stay on top of the volume of work we have. This would limit our “busy time” to a fewer number of months within any given year”

Bond – Is there licensing information on the website?

Stumbo – Yes, we have fully automated all licensing information, it is real time and has canned reports that were created or designed specifically to the needs of industry to make it easier to run batch reports and extract data. It is access to all licensing information.

Bond – So I can go on the website and check any licensee if it is active and when their renewal date is?

Stumbo - Yes

Sec. Vance – Can a licensee renew on-line?

Comm. Dehner – Not at this time but we should launch on line renewals which would assist the staff some. This should be launched sometime after the first of this year.

Bond – Dan why do you keep a separate web site on state ABC licenses? What do you have on your website that is not on ABC's website?

Dan – I don't do the website. My office manager takes care of maintaining the license database. We also maintain a credit list of delinquent accounts that we publish. That information is kept in our license database. We have separate information that's not on the state license database. We get our information from the state's database from Janet Williams at ABC, she faxes it to us daily.

Janet Williams – Carolyn gets information off of ABC's website daily.

Phil St. John (ABC) – If ABC provided a file you could import into your system beyond the fact you can already search and generate your own reports or utilized the canned reports, that would update your records as to who renewed in that cycle, would that be beneficial? So your staff wouldn't have to hand key that data in?

Dan – I don't do that stuff. I'm just passing along my employee who does it concerns. This is not for me. We have always thought having the staggered licenses when they used to all expire the same day on June 30 with the licensing period running consistent with the state's fiscal year. It was a major headache for us every year.

Sonya- I do not want them all expiring on the same day that is not what we are seeking....

Sen. Higdon – The people that you are representing, are we talking about package stores or all types of retailers?

Dan – No. All types of spirits and wine licenses like the wholesalers.

Sen. Higdon – What if we break out beer and keep yours all the same and have the beer licenses renew another time and stagger them that way?

Sonya – The majority of Dan's licensees have beer that cannot work.

Sen. Higdon- OK disregard that....

Jennifer Doering – I wish to speak to this point. From the beer side and from experience in my office, I do, do this work myself. I know the process of what we do, staggering the renewals out

12 times a year, you are constantly calling drivers and sales people reminding them to check this license and check this zip code. For us, we always like to get it done once a year or for this matter any time less than consistently every month and day and get it over with and move on. We speak to our retailer and it is confusing for them as well.

Stumbo – I have been repeatedly asked, and I can't speak for Administrator Reed since there is a difference between distilled spirits and wine and beer, but, we are not seeking to do it all once a year, like it was. If we could have it where you are not in one city and two sides of the road renew at different that would be better. What Sonya looked at was dividing the state in some sort of sections where everybody knew not by zip code when an area or territory renewed. Similar to the rest of the state who does all renew not by zip codes really but by county boundaries so all within a county is at the same time. Not where you create street by street. This really affects Fayette and Jefferson the most again, the rest of the state renewed by county boundaries. You do have areas all over Louisville and Lexington and those metro areas where one side of the street will renew and the other side doesn't so the delivery truck driver doesn't know who to deliver to with a valid license. It's up to this group which way to go. We are not proposing to going back to having all renewals once a year lets be clear on that point. Again, this is a formal request by the state employees who actually have to and who are the only ones performing these duties. These are not seasonal or temp employees. Renewals would still be staggered, but instead of being by left side of the road and right side by zip code, we were trying to make them all by county boundaries or allow the staff to propose some new scenario that would not put it all on the same date but would work better and be more efficient for the state.. If we need the bigger metro counties to not be bundled with smaller counties, we could do that in our strategies.

Rep. Clark – Could you break out Fayette and Jefferson to have an off month for them to report everybody in their area and then everyone else be the same?

Sonya – Yes and there are other ways too...

Rep. Clark – How would that work for you Dan?

Dan – That would be fine.

Rep. Clark – I mean the whole county, not one side of the street and not the other.

Sonya – For example-all the Kroger and Thornton's and SuperAmerica's would be still be July and August.

Stumbo – For clarification, the Kroger's and Liquor Barns and such do batch renewals because they have multiple locations and that won't change.

Rep. Clark – Are you talking about the single license holders with multiple locations?

Stumbo – Yes, the ones that have multiple locations.

Rep. Clark – I'm talking about what Sonya wants to do for the single license holder like in Jefferson and Fayette, have a separate time for these so these two counties are not on the same month but all the licenses renew at the same time and same month.

Stumbo – Yes, we are trying to say the same thing. I think Sonya wanted to be clear again batches would remain unchanged.

Rep. Clark – Can Sonya take that and work on it for the next meeting and come back with her proposal for everybody?

Stumbo – Yes. I assume this is okay with the committee?

Dan – Are you talking about doing Fayette and Jefferson separate?

Stumbo – Yes. Not renewing them on the same month. We will still stagger, but instead of zip code, do it by some other way.

Dan – Yes, that is fine.

Sec. Vance - Would ADD Districts be a good boundary?

DECISION – PROPOSAL #4: Stumbo – Asked for a final vote. With no other opposition, Stumbo then stated... move on. We will work on this item and try to call Dan to make sure he is in the loop on it prior to the next meeting, and have a final recommendation for the Committee at our next meeting.

- Proposal #5 – Eliminate Bonds
  - No further discussion of this proposal
- Proposal #6 – Caterers Employed by Charities Who Obtain Special Temporary Distilled Spirits and Wine Auction Licenses
  - This would amend the statutes to allow a charity to actually cater an even for a charity that has a special temporary wine auction license
  - No further discussion of this proposal
- Proposal #7 – Master Files for Businesses With Multiple Licenses
  - Create a master file for businesses that have multiple locations throughout the state – they would not be required to submit the same information for every location
  - No further discussion of this proposal
- Proposal #8 – Eliminate Blender's License as Unnecessary and Renaming Vintners' License to Winery License
  - Blenders license is really unnecessary
    - Most get a rectifier license because you can do more with it and it is the same price
  - Change a vintner license to a winery license
    - Some people don't know what a vintner is
    - Everyone knows what a winery is
    - Will bring consistency because of the small farm winery license
  - No further discussion of this proposal
- Proposal #9 – Bundling Souvenir Retail Liquor License and Sampling License with Distiller's License
  - A distillers license would have the same privileges they now have with the souvenir retail liquor license and the sampling license but would now would all be covered by the distiller's license
  - Recommendation shows how this would be accomplished without having to have separate license
  - No further discussion of this proposal

- Proposal #10 – Consolidation of Storage Licenses
  - Currently five different storages licenses which will be merged into two different types
    - Malt beverage storage license
    - Distilled spirits and wine storage license
  - Recommendation shows what would be required to accomplish this
- Proposal #11 – Transporter Licenses
  - Currently seven different types of transporters licenses
  - Combine six of those and leave one separate because it was different from the other six
  - Recommendation shows how this will be accomplished
  - No further discussion of this proposal
- Proposal #12 – Consolidate Retail Drink Licenses
  - All the non-quota licenses that have been created over the years to get around the quota system
  - Create 4 categories of non-quota licenses
  - Merge the ones that are similar
  - Has the benefit that if another non-quota license needs to be created in the future, then at that time, it will be as simple as amending the definition to allow that type of entity to be able to get that particular non-quota license
  - This is the most complicated proposal
  - Referred to in previous documents and discussions as NQ2's

\*Stumbo – We will have another meeting and this recommendation can be discussed again if there are additional questions before finalizing.

- Proposal #13 – Retail Package License
  - Similar to proposal #12, this proposal contemplates a combo license to bring consistency to licensing so that a retail drink license or a non-quota drink license would allow sales of all three alcoholic beverage types without having another license.
  - A retail package license would allow the sale of beer without having a separate beer license
  - Change the current retail beer license to be a package license only to allow package sales
  - Previously passed with objection
  - No further discussion of this proposal
- Proposal #14 – Temporary Licenses
  - Rather than having three different temporary licenses, there would be one license and what you are allowed to do with it would depend on what territory you are in

- This proposal shows how this would be accomplished
  - No further discussion of this proposal
- Proposal #15 – Special Agent’s or Solicitor’s License
    - Currently have in-state special agent license and non-resident
    - Would consolidate these into one license type available to in-state or out-of-state agents similar to the current Small Farm Winery license
  - Proposal #16 – Sampling License
    - Consolidates a supplemental license – the sampling license
    - Proposal would allow sampling to be accomplished by the entities that currently eligible have sampling but without requiring a purchase of a supplemental license

\*Stumbo – Again, we will have another meeting and this recommendation can be discussed again if there are additional questions before finalizing

#### Discussion of Proposal #16:

Stumbo –This was the license type and proposed bundle last time with discussion where Gay Dwyer first opposed and then distillers lost the bundle and then she, after further thought and discussion at a subsequent meeting agreed....and Roger this effects you guys too..... actually all of the parties who have sampling..... I mention this now because this is one like gay attempted to discuss at a previous meeting to consider lower the fee and sharing across all instead of just adding the existing \$100 fee to everyone. Just like the previous license types that include former types that could hold a supplemental license type in addition to a prime license.... This is one based upon initially running numbers and averages that I would direct this Committee to look at when you get into looking at revised licensing fees. You may select to have to unbundle them, leave it as it is or come up with a more equitable approach in regards to cost of a sampling license. If you look at the stats handout you will see a very nominal percent of Gay’s folks all who are eligible to hold one actually acquire a sampling license.

- Proposal #17- Combine Special Industrial Alcohol License and Special Non-industrial Alcohol Licenses – Eliminate Special Non-Beverage Alcohol Vendor’s License
  - Combine Special Industrial Alcohol License and Special Non-Industrial Alcohol License into one license type as a Special Non-Beverage License
  - Eliminate the Alcohol Vendor’s License so that a Non-Beverage Licensee can purchase from wholesaler or distributor
  - No further discussion of this proposal
- Proposal #18 – Qualified Historic Site
  - A Qualified Historic License is a existing combo license that authorizes sales of all three alcoholic beverage types

- There is currently an additional Qualified Historic Beer License that was created that is unnecessary
    - Proposal would eliminate Qualified Historic Beer License have one Historic License that could cover sales of all
  - No further discussion of this proposal
- Proposal #19 – Licensing Out-of-State Suppliers of Distilled Spirits and Wine
    - We currently do not treat out-of-state suppliers consistently on the beer side with the distilled spirits and wine side
    - We are currently unable to require out-of-state suppliers of distilled spirits and wine to comply with Kentucky laws because we don't have any licensure of them
    - Proposal will create a similar licensing scheme identical to the malt beverage scheme where we would license all out-of-state suppliers that provide alcoholic beverage into the Commonwealth

#### Discussion of Proposal # 19:

Stumbo asked Dan Meyer to take close look at this recommendation. Dan responded that he is fine with it, we support it.

Steve Humphress - The committee would need to come up with some more information about the beer license cut off the threshold between the smaller license fee and the greater one based on 20,000 barrels of beer sales. We need to come up with some kind of equivalent for distilled spirits and wine sales to set the threshold. The more you supply to the state, the more you might pay. The same type of scheme should be in place for distilled spirits and wine, but I don't know what that number is or what the equivalent would be.

Sonya – 25,000 barrels or 775,000 gallons is the cut-off on malt beverages.

Humphress – That is for beer, but we need a category or something similar for distilled spirits and wine, and the feds treat the gallonage different, so I don't know what that number would be.

Stumbo – We need input from Eric, Dan, and Lowell those who are our experts and should know of what the threshold numbers should be or be able to advise us of reasonable amounts.

Virginia – There is a big difference in the malt beverage fees as stated. It's \$250 vs. \$1,500. These are like small producers instead of the big boys.

Dan Meyer – In getting information for recommendations on the gallonage for out-of-state suppliers, and Virginia had said the proposal is under 25,000. Is that cases or gallons?

Sonya – 25,000 barrels or 775,000 gallons.

Humphress – Again, for the rest of the Committee that is for beer.

Dan – How about under 50,000 gallons for distilled spirits and wine?

Stumbo - How about instead of making a decision today on the spot, we all do some homework and will work with you outside before the next Committee meeting and bring that information and our final recommendation back to the group. This will give everybody time to think about it and allow us to come with the final actual recommendation on amounts and proposed fee costs. Think about what you want and what might be reasonable. The Department said have it mirror the costs for beer not no particular reason other than being consistent in regards to fees.

Rep. Clark- You guys need to come with a final recommendation of this gallonage thing and cost of the licenses.

Stumbo – This item will be brought up again at the next meeting with hopefully the limits of the little guys vs. defining the big boys for wine and distilled spirits will be determined. We just need some thoughts from Dan, Eric, Lowell, and Adam before we propose anything. This doesn't change beer. Virginia you may want to assist on this recommendation.

Rep. Clark – Does it involve the three tier system?

Stumbo – No, it helps in other ways protect it.

Gene McLean – I suggest that as you go through that exercise you try to get an estimate of how much revenue this would generate for the state. It would help in our other areas of bringing in new revenue dollars to allow us to ability to keep other fees low or lower than average and still remain neutral on revenue. I don't know what fees you guys will apply to those, but that will be a revenue enhancer. If we could get some kind of estimate on how much new revenue that does bring in, or what it does for all those states who already license them that could give us an idea on consolidation of the other licenses to balance out any deficits we cause trying to keep fee costs low. These folks should be licensed.

Larry Bond- I agree.

Stumbo- Ok we will work on the gallonege and fee cost issues and look at other state info on licensing out of state producers and bring that back. Dan, Eric anyone else interested you will also need to work on this we have a commitment to deliver the information to finalize this recommendation. Virginia..... All in agreement? Let's move on.....

#### DECISION – PROPOSAL #19: to be discussed again at the next meeting

- Proposal #20 – LRC's, Ky. Office of State Budget's, and PPC GAP's Division of Budgets' Examination of Financial Impact of Recommendations
  - During internal discussions and while going through the bundling of licenses, it was recommended that any recommendations this committee makes should be reviewed by these parties in an effort to ensure we are not losing revenue and to properly establish a fee schedule and budget
  - No further discussion of this proposal
- Other recommendations raised by the Committee on important issues identified as items that are important and will be recommended as requesting additional study
  - 1) Identification of stockholders and owners in complex/multiple corporations/LLC entities
    - Identify foreign owners

#### Discussion of item #1:

Stumbo – This recommendation does not propose how we intend to deal with this issue. It follows through with Rep. Clark's recommendation and the consensus of this committee that this issue has been raised, it has been determined that it is very important and it needs further study outside this timeline and scope of the Committee and this Task Force. The social security number issue and other items are all included in this recommendation.

Gene – I cannot express but I do agree with the Department and the Committee this is an important issue that relates to the three tier system because if you don't know who is invested in a particular tier, you don't know if they are invested in another tier. It is important that ABC

knows who the investors are in each of the license types so a determination can be made of if the three tier provisions are being violated

Stumbo – Is that a statement or do you want additional language beyond what is in the narrative on this recommendation added? Do you want that type of language and/or something similar to your statement in the justification of why it's important and to show that it also has a three tier impact?

Dan – I think it's important to know provision to illustrate.

Stumbo-OK, Steve note that edit lets beef of the wording on that point within the existing narrative. Next item.

## **Other comments on Document #1 – The Recommendations Packet:**

Before moving on to the new fee structure, Stumbo called for any last or additional comments on this document. Stumbo thanked the group for all their hard work in producing the content of this document and such a substantive body of work. At the next meeting, if there are any edits, typos identified, language that we need to strengthen or correct, please get those to me in advance before the next meeting so they can be worked into this document. This document, as of now, will be the final list of recommendations going to the Task Force in regards to both the licensing scheme and in regards to the “bucket list items.” We have identified four recommendations today that will require additional work prior to the next meeting in two weeks. We will do those to put those to rest at the next meeting based upon you decisions on those.

Rep. Clark – If time permits and resolutions are made on those items prior to the next meeting, please send these to us prior to the next meeting so we know what they are.

Stumbo – Although it was requested to stop sending meeting items in advance, with the volume of work now, it is easier for me to get this out to you in advance so you can review it prior to the meeting. Steve and I will work to try to get those pushed out in advance of the next meeting with the short turn around and holiday I do not want to promise or state a date prior to the meeting we will try.

Rep. Clark – The next meeting is on November 29<sup>th</sup>, correct? At 1:00?

Stumbo – Correct

Rep. Clark – What about the meeting on December 11? What time will that one be?

Stumbo – We can do anytime on December 11 now that none of the other committees are meeting that day. This is later on the agenda; can we come back to setting meeting dates?

- **Document #2 – License Types by Revenue - 12 month period**

Stumbo- In follow up to Rep. Clarks earlier request here are the revenue totals for FY 11 & FY12

- Revenue total for fiscal year 2011 is \$5,181,675
- Revenue total for fiscal year 2012 is \$5,321,925

Rep. Clark – Why the difference between years?

Stumbo – Differences can be due to a combination of factors: 1) different licenses and more of certain license types issued; 2) licenses renewing early and appearing twice in that year, were there more full year renewals or six-month payments paid; 3) the batch (annual) renewal that are processed June 30<sup>th</sup> – computer shows them renewing June 30 and posts payment at time of renewal, but sometimes they don't show or actually post on the budget side until July which

falls in the next fiscal year. Those are just three factors that can create the variances between revenues actually received and what the database reports, and also between one fiscal year to the next of how much revenue were received on June 30 but not posted until July 1 or after. Also some payments are even received and held for long periods of time then post even in different fiscal years.

Rep. Clark – What is the threshold to be revenue neutral? Has threshold been defined?

Stumbo – Yes. It should be the actual revenues received by the department but not based upon only one fiscal year to be statistically sound. I defined it as being the average of those two fiscal years to assure both statistical accuracy, account for any discrepancies or anomalies and be the most accurate projection of actual license numbers as well as true revenues.

Rep. Clark – And what is that average?

Stumbo – If you look at it by fiscal year, we want to stay around the threshold of about \$5,221,000 to the \$5,452,000 range to remain revenue neutral or at least the average of those if you don't like a range.

- **Document #3 – Appendix A**
- **NOT A RECOMMENDATION – For information only – shows mathematical strategies - how the numbers come out and what strategies, from a fiscal perspective, could be applied to come up with those numbers**
  - While trying to simplify and reduce licenses, we had two main challenges
    - Try to make new fee amounts as equitable across all licensees as possible
    - Make sure we remain revenue neutral
  - Numbers on Appendix A were determined using two other documents
  - This document (Appendix A) is the “Averages” requested by Rep. Clark

Stumbo asked that everyone be patient that the next set of documents might be confusing but she would take time and could explain every item as needed. Stumbo explained how she determined the numbers, so the committee could recreate them. The numbers shown on Appendix A came from a combination of two documents: the first showing number of licenses issued by FY 11 & FY 12 and the revenues for that respective year, and the other document showing stats of certain types that have beer or sampling and what percentages of those license types this makes up and the type of licenses where there's an additional costs because they break out by class of city. Stumbo stated she had to come up with estimates based upon the percents provided by the Department on some numbers that would be part of newly bundled licenses. She stated on some numbers have to be backed out of the ABC's main license type numbers when they show of a certain license type to not be counted twice and she had to use both averages and estimates on license type with varying fee costs – for example, liquor package – it is one of those that there is a cost by class of city ranging from one amount to another. It doesn't show the total amount generated in a certain fiscal year for liquor package by class of city it is all together – it doesn't break out the total revenue by class of city. Averages were determined and then the estimate was plugged in. Stumbo stated it was important for the Committee to utilize these documents to generate the key numbers, revenue amounts and percentages to attempt the exercise. This document shows averages, as requested, of the new licensing scheme with the idea as directed of staying mid-point or higher in fee costs. That's what Appendix A attempts to do. Stumbo notes some variances from that and why. Committee members may not like the averages on some of the license types come

out to be. It was a valid exercise in getting the committee to think about what other strategies might the Committee need to employ, if not using an average, to have an equitable structure that will share those costs without raising the rates too much but remain neutral, even though we all say and acknowledge some will go up in cost.

- (Appendix A) attempts to have revenue neutrality by or within specific license types verses revenue neutral overall off the total projected revenue. Even by remaining revenue neutral by license type the result (if math is accurate) would net remaining revenue neutral overall as well.
  - If LP's earned X amount of revenue currently, what do LP's in the bundled structure, the new way need to earn in order to stay flush/neutral or better?
  - Decisions were made by committee at each meeting that all of the license types were not averages
    - 1<sup>st</sup> Example – the very first one listed on Appendix A – Distiller's License – was not an average calculation. Stumbo asked the group to please note that. The calculations for this cost were not averaged at all.
      - Committee previously decided that since distillers already bought distillers license, souvenir's license, and sampling license, and already paid for all three – they wanted them bundled together into one primary license and the three costs would be added together
      - Current cost already exist as \$3100 for the three separate license types and that cost will remain the same after bundling

Stumbo talked to Eric Gregory about this and stated he may want to take the extra to assist the State to stay neutral, but he might want to also consider averaging those two supplemental licenses out or at least the sampling license. That would for example on the cost of sampling take it down from \$100 or a less amount for his folks but still remain neutral.

Stumbo stated That will be the decision of this Committee to take the averages to hold costs the same etc. but she wanted to offer that to get the group thing.

Rep. Clark – Do you have a bottom line of what this would be?

Stumbo – Yes this document shows you fiscally the bottom line numbers. However, this document also shows you some issues that taking straight averages cause. The bottom line is that you can't take averages across the board.

Rep. Clark – What is the total amount of revenue going to be?

Stumbo – Total amount is \$5,322..... million it's revenue neutral with about \$45,000 profit that came out somewhere with a gain because of them taking some of the supplemental license costs and straight added those on to the new license type average instead of averaging them first to and then added the new average cost for those supplemental to the averaged cost of the primary license.

Rep. Clark – I don't know how you improve on that.

Stumbo – Here is the issue and this is why I say you do just averages across the board - this document performs averages where I could. Where I could not perform averages, it does estimates based upon the percents and stats provided by the Department, and those are indicated by the two asterisks in spreadsheet – and there are important footnotes on the back

page. All numbers were rounded up to the nearest whole number as suggested by the budget office. Here's where the problem hits as one example- take a look at malt beverage storage license on the first page - the new bundled malt beverage storage licenses – and this one is an actual average, but this proves my point of why we can't go by straight averages with all license types, but you might be able to do averages overall or do a percentage overall – but you cannot apply any one accounting procedure across all because there is not direct correlations or consistencies at least not by existing license types. The three existing license types currently range in cost from \$100 to \$1000. First when you average the number of licenses issued across the two years and do the same on the two FY revenues you obtain the average # of licenses and the average revenues. Then take the average # of licenses issues the number issued (9) - divide that into the estimated annual revenue – the average new cost for a malt beverage storage license to be revenue neutral would be \$717. That's the average from the existing cost range from \$100, \$250 and \$1000. The average of that is actual 716.666 rounded \$717, which is a true mathematical average. The problem is this, all of those license types are supplemental license types to a primary malt beverage license of either a producer, distributor or retailer. The primary license, for example, for a beer distributor is \$500. They will now be charged and extra \$717 for an extra storage building, which makes a secondary supplemental storage license cost \$217 dollars more than their main license or primary license. They are not going to like and we should not agree to this it makes no sense. The reality is to take a statistical average, but by doing that because of the ranges between costs on those license types being \$100 to \$1,000, it makes a supplemental license cost more than a primary license. This is not acceptable and would not work. Same is true for the holder of a beer only retail who may wish to or need an off premise retail beer storage. Their main beer license currently costs \$200 no way would they agree or should they to pay \$717 for a storage building... That is my point only to shoe the Committee you cannot create our new fee structure by utilizing or applying only the fiscal practice if you will, of averages. It does not work on all.

I would like to go through this entire sheet and advise by license types what mathematical approach was utilized to generate the numbers.

In areas on the spreadsheet for other license types for the reasons previously stated in regards to city class etc. or the requirement to again average among varying fee costs for various bundled types.... Where I utilized both averages plus filled in estimates, those are the ones who we had a range fee costs of license types – and a good example is on page two of Appendix A – the new combo license retail drink – the first column which is retail drink (RD) was averaged across two years – 797 issued in FY 11, 790 issued in FY 12 - add those together and divided by two gets you the average number of licenses issued is 794. I did the same thing on the actual revenue. The cost of license couldn't be filled in because they are different by class of city. I took the actual cost revenue earned off those and added those two together and divided by two which is how you get the number 60,8725. I then took that number and divided 794, which is the number of licenses, and the new average cost of an LD license for everyone regardless of what class city, would be \$767. The important thing is a first class city currently pays \$1,000 and a fourth class city and all others pay as low as \$500. When you average it starts skewing some numbers. Again, I just wanted to explain how I came up with my numbers and some initial concerns of how trying to apply averages and estimates throws the system off because there is no correlation between the primary licenses, supplemental licenses, or

between license classes. So there was no way, by specific license types, to equitably by just doing averages, keep those cost down and not create problems with other existing licenses that were not being changed or not increase costs for a smaller cities. The cities have said they want to be treated the same, and they might, even if they have to a little more or less and the big cities who are paying \$1000 now by taking an average – they get a little reduction or savings because you are taking an average. The middle costs. Again the range was \$500 to \$1000 and the new true average is \$767. Then, for example, if you don't average the two bundled license types before adding it to the LD and you just add on the current malt beverage cost at \$200 and those who want sampling at the percent of those who get it, then the new amount of that new license becomes \$1,067. This is fine for a 1<sup>st</sup> class city. They only see an increase of \$67 and they get it all. But who might have problems are the 4<sup>th</sup>, 5<sup>th</sup>, and all other class cities who were paying currently \$500. On this one you have to average the prime license and then average the sampling license at least to hold costs down. Next decide go with the true average cost to treat all cities the same so they pay the same cost for the same license type or come up with a new cost less than average to attempt to hold cost for all down or just keep doing it like we are and treat cities different and allow them to have a different cost by class for the new bundled license types.

Rep. Clark- we said costs would go up. We can review the spreadsheet. Do you have a solution?

Stumbo- Not a recommendation but I do have an example to provoke the Committee thoughts of other ways to keep costs down and remain revenue neutral while assuring any increases are applied equitably.

- **Document #4 – Titled “Example”**
- **NOT A RECOMMENDATION – For information only**
  - Looked at issues with costs going too high on certain licenses randomly
  - Shows strategy that needs to be considered in determining a new licensing fee scheme
  - Document shows some average license costs
  - Of the new licenses (40), how many were issued, what was the average cost (from the new calculation from the other document), what is the example new annual costs and revenue we should project
    - Example - Malt Beverage Storage License – midpoint or higher new cost would be \$700+
      - \$717 was the true average cost, but for strategy purposes this cost was dropped to a low point, less than midpoint, I assigned a new random cost of \$250 was used.
      - Using this random cost of \$250 projected revenue drops down to \$2,250 and the current revenue is \$6,000, creating a \$4,200 deficit I hold out the deficit amount and recapture it later through another approach
      - This strategy was randomly used throughout this document on licenses randomly selected that might appear to high in cost
        - The combo license, again to not hurt the little cities and counties, the \$1000, or the \$700 fees were dropped down to a

made up cost of \$850, creating an \$83,000 deficit. (amounts used were just randomly made up)

- Total deficit using less than average numbers to keep costs down, created a \$247,450 deficit, which is not revenue neutral
- Next the total number of licenses, all licenses of any kind that we issue, was totaled and that number was divided into that deficit. It was determined that if we increase all license types cost by \$17.94 across the board equitably, would put us back revenue neutral – meaning that instead some folks getting a \$500 or \$200 impact, if we just increase each license type cost by \$17 the deficit will be made up and most might not want any increase but \$17 is better than \$500 as an example.

Stumbo - This will make us neutral, but to do it, instead of hitting certain license types, you have to play with license types to get that, to be honest, identify where the industry folks can live with an amount a sweet spot, because they can't live with some of the big average amounts, or if a supplemental is more in cost than a prime. This will run a deficit which will have to be made up somewhere else either across all licenses or by new revenue source. This was just equitably assigned by determining a magic dollar amount across all license types that would need to be increased to make sure we remain revenue neutral. I did this with the budget office, and the amount of \$17.94 across the board was determined - ON THIS EXAMPLE ONLY AND IT'S ONLY AN EXAMPLE. I hope however, it gets everyone thinking. This is more equitable in my opinion than for certain licensees to pay or see larger or extreme increases and jumps from what they are currently paying.

Sen. Higdon – You went back to like the 4<sup>th</sup> class cities' restaurant drink licenses amounts or made up a cheaper cost instead of going up to the average?

Stumbo – Yes. I dropped way low. On line 14 – liquor drink – by city class – the average was cost \$767 – and on that combo license after you add beer at \$200 and sampling at \$100 to that, it took it up to \$1,067 – instead of going with that, I went with a lesser amount of \$850 (which still did not have the sampling averaged just a straight add on amount if average it would have made the costs even less) which was made up and was less than the average and that created the deficit.

Sen. Higdon – What would that be prior to us doing anything?

Stumbo – If you don't try to treat all classes the same, then they stay what they are and you either add on the costs for the bundle licenses or add the averaged costs of the bundled licenses. They would pay their pay their \$500 plus those additional amounts. I have another handout that shows that. Look at it.

Sen. Higdon – That's actually \$500 plus \$200 plus \$100, so it only went up about \$50 and I can live with that.

Stumbo – Another thing I want to show you..... I am sorry but it is so hard to under these conditions to exactly do the process with me. I know this is confusing and it was very time consuming. My concern is that if you don't sit and do the math, it's hard to do with a group this size and you don't see the worksheet back math. I wanted you to see how I came up with these numbers so you can try to play with the numbers on your own.

My last spreadsheets or documents are two one that shows some of the bundled types but keeping fee costs of those license types this applies to that have a different fee cost by class city and what would the bundle new cost be. The other document just for a visual and to reassure members shows the license types that do not change at all. This serves no purpose but again, just to reassure you these are the ones.... tells what they cost and what they will still cost

## **Document #5 – Licensing Fees by Type That are Proposed to Change Due to Bundling of Supplemental Licenses but NOT Averages**

- Just in case KACo and KLC say they like the idea of all class cities being treated the same but they realize don't want to pay for it
  - This is the document that shows license types broke back out, left by class with the bundle added and the new amount shown
    - Narrative is included to explain
    - Retail drink is \$1,000 - or \$1300 after adding sampling and beer
    - The cheapest – 4<sup>th</sup> class – is \$500 - or \$800 after you add sampling and beer –all but two already get beer so they are already paying the \$200
    - The question marks identify some combo licenses that some folks opposed so they are left questionable if it stays combo or un-combo

Dan Meyer – just as an observation – it looks like we are going way down the road on what these fees are going to be when we haven't really addressed whether we are going to do the bundling of quota licenses with beer licenses

Stumbo – After talking with Secretary Vance and the Governor's office about how to handle this, on this document, I left them with a question mark and showed them bundled, possibly unbundled, and I ran the numbers both ways to accommodate that. The bottom line is as far as this Committee is concerned the vote passed and they go on to the Full Task Force bundled. The decision of if those are going to be bundled or not, I was advised not to revisit in this committee. It's going to be dealt with at the Task Force level, so I am pursuing as if they're bundled, but I ran numbers with them unbundled too as our Committee's back up if you will. This document shows what it looks like if you unbundle them back out. You would just take the \$200 off then if the cost is \$900 it would then be \$700 for a 3<sup>rd</sup> class city. The other thing that could happen is with the sampling issue as another example is Gay Dwyer who is not here but may say she doesn't have a large percent of her licensees that buy the sampling license. Therefore the Committee will need to either apply another mathematical strategy of averaging across all as mentioned instead of a straight add on of the cost or the Committee may decide to across all types unbundle sampling totally and allow it to remain a special license type. Retail Drink licensees – they're entitled now to receive a sampling license – you're adding \$100 to them, and the majority of them never buy sampling licenses (see the stats doc I provided and look at the percent of those who actually purchase a sampling license). Are you going to enforce them to actually hold sampling license like we hold distillers to? Or are you going to let them do sampling without a sampling license? Because they don't buy them, but they engage in the activity and we know that other do sampling a charge for them. Again, my point is we can streamline and modernize our licensing and reduce the numbers of types but we are going to

need to attempt to keep the increases on some of these as low as possible and still be neutral on revenue.

Rep. Clark – Don't you think we should follow the law?

Janet Williams – Most of the restaurants that call and ask about sampling – most don't have them – but they charge – they can have sampling, but they have to charge for it.

Virginia – It's called tasting

Stumbo – This is true sampling. But we are also aware of several who don't charge, if enforcement catches them they are cited we do enforce the law but that is not the point the point is the percent of these licensees who actually ever obtain the sampling license. And just so you know, of restaurants eligible to hold sampling – only 1.3% of restaurants buy a sampling license. Out of 965, there are only 13 that actually acquire that license.

Dan – *Repeated his original question* - Why are we going to all this trouble looking at the bundling and unbundling of the licenses there were objections to – the quota and non-quota licenses with beer added? You answered the question by saying you had done the estimates both ways.

Stumbo – I did not answer your question. I stated I ran the numbers both ways on some to provide the Committee as much information for their future considerations as possible. They are bundled. I was being proactive in case someone asked me what they would be the other way honestly. These are not recommendations as I have repeatedly stated I ran the numbers requested and offered as much example and information as I could. You it would give the Committee enough information and data to make the most informed decisions and have enough to think on. I will say it again....If you try to re-run my numbers they're all not averages, because you can't get an average. That's why I went by each one and indicated if it's a average, it's an estimate, etc. I wanted the committee to know where I pulled the statistical data from. The bottom line is that we need to come up with a strategy. I don't know how you want to do that or what this Committee wants to do to proceed forward I am facilitating the journey.

Stumbo- *To the Committee*- We need next steps or a recommendation. I don't know if you want the Department to give you the same numbers and the group try to sit down and work out what fees are doable. Is your recommendation to just say we can't figure this out, but we know we need a new fee schedule that matches what we've done and it will need more time and more review. It does need some attention and must be carefully looked at to make sure we don't lose money and that we are doing this equitably. Do you want to task me to work with the State Budget Office to come up with new numbers to propose? Our recommendation be that as captured in our document Steve covered to have LRC, OSBD and GAPS work on this and use what e have worked on as a guide and provide them some parameters what?

Rep. Clark – Suggestion - Everybody in the industry that represents a certain industry knows what kinds of licenses types & fees are being proposed and costs and what costs they really want or don't want.. They know the licenses we are proposing to get rid of and what licenses we've added. Why don't we have them look at their segment, all license types that specifically effect them and email it to you in the next week and you can determine if we are at the sweet spot or not. A proposed strategy or new fee amount they are thinking. This gives them the chance to go back to their constituents and see what they come up with and if we can come up with something. They say a lot so they should bring us recommendations to consider when we meet on the 29<sup>th</sup> and if we can't decide then, we will have to have another way. Maybe one of those you mentioned. We must be at 5.3 million or 5.4 million. We will not have a deficit.

Stumbo – We have to hit around that 5.3 or greater to be revenue neutral, correct.

Rep. Clark – They will do their segments and you will get the aggregate amount then you can total it. Look at their numbers or fee costs for specific license types and your guys see what you can then come up with or generate.

Stumbo – Is this agreeable? Any objections? Hearing none.... When you get me the information, I will run the numbers across and determine if we have a deficit or not. I will report that back and find where the adjustment needs to be. We will start with this at the next meeting. The numbers you need to look at specifically, if you are not going to treat all class cities the same, you will have to work off the document that lists the existing current licenses by cost. If you are not going to treat cities the same, you will have to account for that, because of the total number of licenses issued, there is no way to statistically determine of that amount how many were from which class city. The Department only knows the number of licenses issued and the revenue generated. For everybody else, here is the percents of your license types who get those bundled supplemental – the percent is on there and you will have to calculate with that. The total numbers issued with the revenues generated is on the Fiscal Year 11-12 document. You can come up with what you want the license cost to be and show me how you calculated it so I can run those numbers and bring it into a larger document. I will email out instructions on this assignment tomorrow to everyone.

Gene – The 5.3 you broke out does not include any estimates on the new out-of-state license. So, if you do some due diligence on that whether it would be gravy or would have to be applied to cover or go towards any deficit.....

Stumbo – Yes, and as tasked we will have those numbers next time, and if we have a deficit, that might offset it or it might correct part of it. But you are accurate the 5.3 amount doesn't take any of those numbers or revenue into account at all. This is not existing it would be a new revenue source.

Karen Lentz – Can ABC's produce the number of package stores by class of city?

Stumbo – No right now I have asked IT to generate that and hope to have it by the next meeting. That's why I did the estimates based on the percentage you will to. Our IT folks are in the room today.

**Next Meeting Date(s):** Thursday, November 29, 2012, at 1:00 p.m. at the Department for Local Government offices, 1024 Capital Center Dr., Ste. 340, Frankfort, Kentucky. The December 11, 2012 meeting will be kept on the calendar and we will keep it as scheduled at 1:00 p.m. Any changes will be emailed dates will be posted to the web site as always.

**Closing Comments:** Stumbo-Thank you for your patience. I know today topics were not simple or easy and were all long. Our final documents are due to the Task Force prior to its next meeting which is scheduled for December 13, 2012. The Committee staff, Virginia, Dan, Eric etc. we will also need to complete our assigned tasks so don't forget to look at and determine what the gallonege limits and fee costs will be on out of state producers of liquor and wine. Gene, everyone please provide any state information you mention you could obtain to assist the Committee. Your proposed assignment to run your own numbers and propose licensing fee costs and mathematical projections will be due by November 20, 2012 by noon. Email those numbers and your work directly to my attention and bring a copy or set with you to the next

meeting. Please consider when running numbers, and you have used every strategy you know – percentage, average, whatever..... also keep in mind that we may have to unbundle some we have bundled specifically sampling if we cant find a solution.

**Adjournment:** The Licensing Committee meeting was adjourned at 2:34 p.m.